



Streets Ahead

Genworth Homebuyer Confidence Index
March 2015 | Edition 10



About the Genworth Homebuyer Confidence Index;

The Genworth Homebuyer Confidence Index (HCI) is based on five components:

- The proportion of monthly income used to service debts
- The maximum loan-to-value ratio (LVR) borrowers are comfortable borrowing
- Repayment history over the last 12 months
- Repayment expectations for the next 12 months
- Whether now is considered a good time to buy a home.

Definitions of types of consumers referred to in this report:

First Homebuyer (FHB): Someone who purchased their first property to live in (with a mortgage) within the last 12 months

First Time Investor: Someone who purchased their first property (with a mortgage) in the last 12 months but does not live in the property

Mortgagor: Someone who has had a mortgage for over 12 months (does not include FHBs or First Time Investors)

Homeowner: When referring to FHBs, First Time Investors and Mortgagors we will use the term Homeowner to cover these three groups, which comprise all mortgage holders

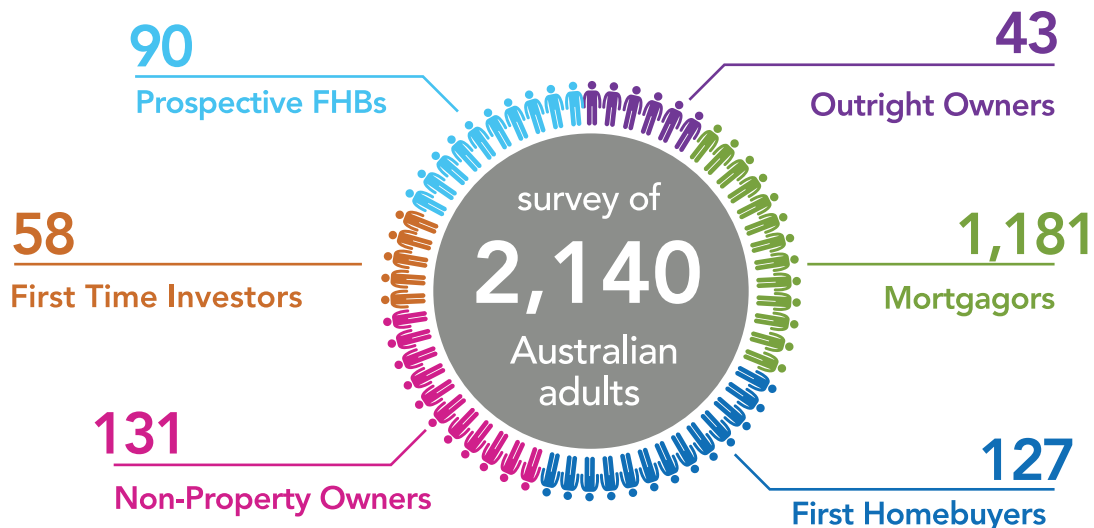
Non-Property Owner: Someone who does not currently have a mortgage on a property nor own property (includes Prospective FHBs)

Prospective FHB: Someone who intends to buy their first property in the next 12 months.

Methodology

This report is based on an online survey of 2,140 Australian adults conducted in March 2015. Survey respondents were sourced from a panel of individuals who have signed up to participate in online surveys. Respondents are nationally representative according to age, gender and state/territory.

The sample consisted of:



Summary

This is the 10th edition of the Genworth Homebuyer Confidence Index (HCI), a measure of Australian Homeowners' and Non-Property Owners' sentiment towards the housing and mortgage market.

In this edition the key findings are:

1 Confidence is up in all states except Victoria, with the total HCI rising 1.1%, from 98.1 in September 2014 to 99.2 in March 2015. This increase was driven by the proportion of respondents who believe that now is a good time to buy a home, increasing from 41% to 52%. This may be a reflection of the RBA's interest rate cut in February 2015.

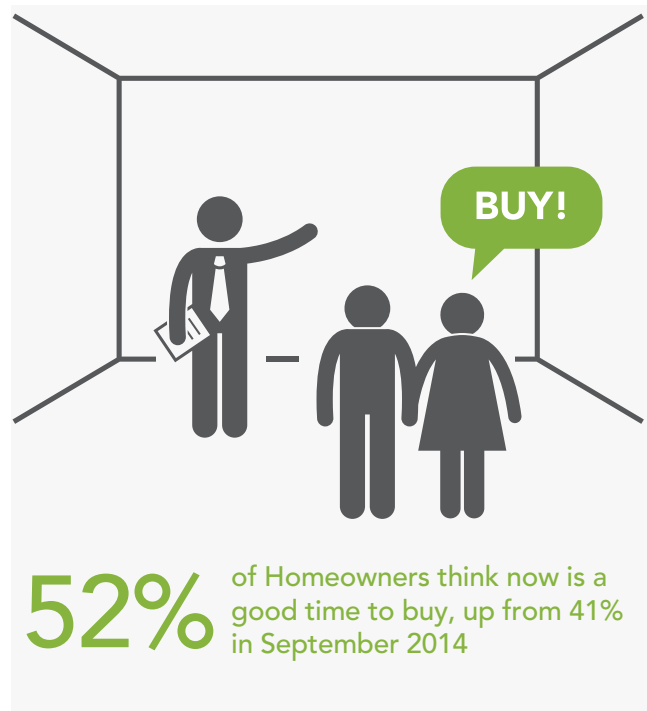
2 FHB confidence increased to a record high, reaching 102.1 in March 2015 (up from 98.4 in September 2014). This is the first time since September 2012 that FHB confidence has been higher than the overall HCI. This upward movement was driven by an increase in the proportion of FHBs who believe that now is a good time to buy a home, as well as a reduction in the proportion of FHBs experiencing or expecting mortgage stress.

3 The proportion of Homeowners who experienced mortgage stress remained stable, increasing slightly from 15% in September 2014 to 16% in March 2015, after being at a high of 28% in March 2014. Of those surveyed, the growing number of Homeowners who experienced mortgage stress indicated that unemployment or redundancy was a key contributing factor in experienced or expected mortgage stress, increasing over the 12 months to March 2015 from 24% to 31% in terms of experienced stress, and from 25% to 28% in terms of expected stress. The rising unemployment rate is clearly having an impact on those experiencing mortgage stress, and could be counteracting the positive impact of interest rate cuts.

4 With cash rates at current low levels, it is accessibility (ability to enter the property market) rather than affordability (ability to service a mortgage) that appears to be the main barrier to property ownership for Prospective FHBs. Of Prospective FHBs, 30% indicated that high property prices were the greatest barrier to homeownership, up from 25% in September 2014, with a further 21% indicating that the difficulty of saving for a deposit is the greatest barrier (decreasing from 23% in September 2014). The high growth seen in property prices, especially in capital cities, is putting greater financial strain on Prospective FHBs trying to enter the property market. High property prices and the lack of FHB incentives for established dwellings in most states require FHBs to save a greater value deposit.

5 While the average deposit (as a proportion of the property value) has remained relatively stable since 2009, the time taken to source a deposit has decreased. One reason for this is that the proportion of FHBs using non-savings sources for their deposit has increased, from 46% in 2009 to 57% in 2014. Further analysis indicates that FHBs are increasingly turning to personal debt to fund their deposits, as well as relying on gifts from family.

6 Regarding the Financial System Inquiry's recommendation for more transparency surrounding ownership and alignment in the financial sector, our data reveals that average awareness of major banks' ownership of the various subsidiary brands (e.g. Bankwest, St. George) is relatively low at 25%. However, recognition increased amongst those who took out their loan with one of the major banks' subsidiary brands, with awareness of major banks' ownership increasing to an average of 76%. This suggests that the majority of those who bank with these subsidiaries are aware of their ownership arrangements.



The Homebuyer Confidence Index – 10th edition

This 10th edition of Genworth's Streets Ahead marks the five year anniversary of the Genworth HCI. Since March 2010 the index has tracked Australian economic and property market conditions as well as consumer's attitudes towards property ownership, mortgage debt and property investment. To mark this milestone we thought it would be interesting to look back over the last five years to see exactly how much the Australian landscape has changed.

Australian economic and property market conditions

Over this period the Australian economy has changed significantly, having emerged relatively unscathed from the Global Financial Crisis, largely thanks to the effects of the resources boom. However, in recent times Reserve Bank of Australia (RBA) Governor Glenn Stevens, has used his statements on monetary policy to draw attention to below trend growth as Australia transitions away from a resource-led economy. Partly as a result of the softening economy, unemployment has trended upwards since 2011, reaching a decade high of 6.4% in January 2015.¹

Over the past five years the cost of living has consistently increased in Australia, with the Consumer Price Index (CPI) rising by 13.0%, from 94.3 in December 2009 to 106.6 in December 2014. This increase was relatively consistent across the major cities, with the CPI seeing the greatest increase in Perth, up 13.2% from 94.5 to 107.0 between December 2009 and December 2014.

Over the five years to December 2014, the Australian Bureau

of Statistics (ABS) Residential Property Price Index (weighted average of eight capital cities) increased by 21% (from 99.2 in December 2009 to 120.3 in December 2014). Property prices in Sydney saw the most growth, increasing by 39% (from 96.0 in December 2009 to 133.5 in December 2014).

As a direct result of increasing house prices, the average loan size has increased by 16.6% for FHBs over the last five years, from \$286,100 in January 2010 to \$333,500 in January 2015 and from \$304,500 in January 2010 to \$348,800 in January 2015 for borrowers, according to the ABS.

Recently, falling interest rates have helped fuel speculation of an overheating property market, with the RBA cutting 250 basis points from the official cash rate between November 2011 and February 2015, leaving the cash rate at a low of 2.25%. Cash rate cuts generally lead to an increase in the proportion of respondents who believe it is a good time to buy a home, although this can be counterbalanced by accessibility concerns.

Genworth Homebuyer Confidence Index

Between the report's inception in 2010 and the second report in September 2011, the HCI decreased from 97.8 to 94.4, following increases to the cash rate, a number of natural disasters and an increase in expected mortgage stress. Twelve months later, the September 2012 HCI increased to 98.4, with consumer optimism being driven by improved affordability and lower interest rates. Despite continued cuts to the cash rate, the HCI began to trend downwards to an all-time low of 90.8 in March 2014. This was due to rising concerns regarding economic growth, increasing unemployment and government instability. With cash rates remaining stable in this very low interest rate environment, the HCI has bounced back to 99.2 as at March 2015.

Over the past five years, the proportion of those using more than 50% of their income to service debt has remained relatively stable at 28%. The low interest rates appear to have

been used as an opportunity to pay down debt, with 51% of Homeowners surveyed in March 2015 making overpayments on their mortgage, up from a low of 39% in September 2013.

In May 2010, 25% of respondents indicated that it was a good time to buy, increasing to 49% in September 2012 following the RBA's rate cuts in May and June of that year, totalling 75 basis points. This trend continued in March 2015 with the proportion of respondents who believe that now is a good time to buy rising to a record high of 52%. In addition, the proportion of respondents who believed that the difficulty of making mortgage repayments is the greatest barrier to home ownership has also fallen in line with interest rates, from 9% of respondents in September 2013 to 5% in March 2015.

As the Housing Industry of Australia's Housing Affordability Index continued to climb towards 77.2 in March 2014,² the

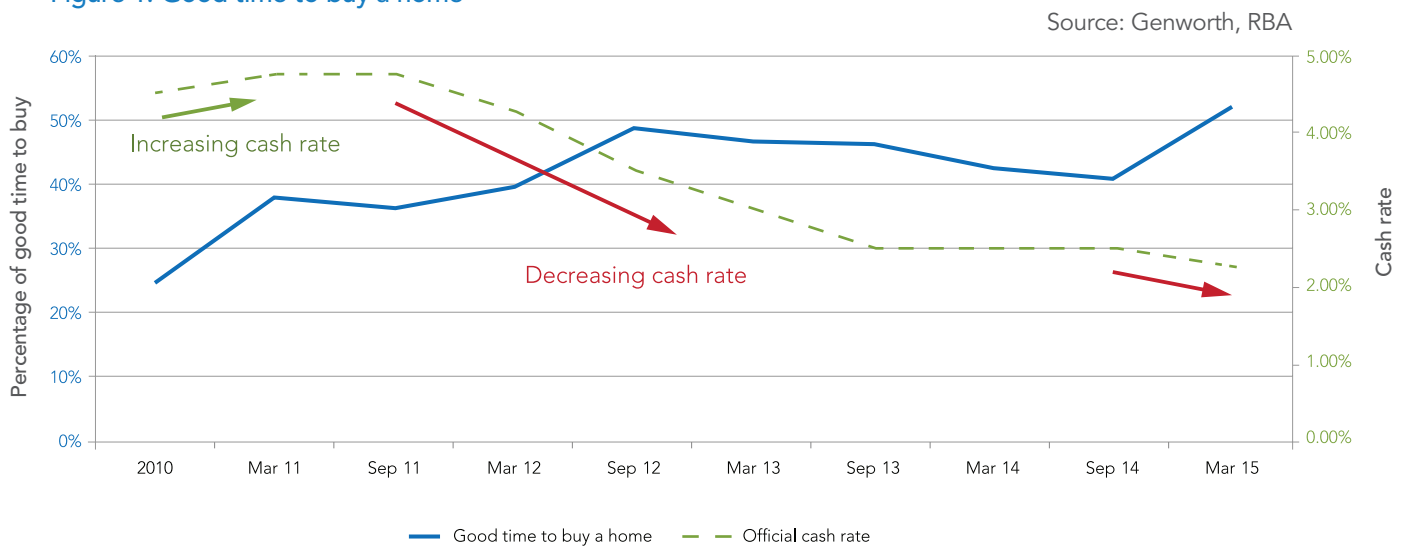
1. In February 2015 the unemployment rate fell to 6.3%. The January 2015 figure referred to in this report correlates with information available to respondents at the time of the survey.

2. The March 2014 HIA Affordability Index referred to for this report has since changed its methodology with the intention of reverting to the previously used methodology in future releases.

proportion of respondents who believed it was a good time to buy a property decreased to 42% in March 2014,² despite further cash rate cuts over the same period (Figure 1). Property prices have also impacted on the belief that it is a good time to buy. The proportion of those who believed it was a good time to buy increased to 49% in September 2012 following decreases in the ABS Residential Property Price Index, from 104.3 in June 2010 to 100.2 in September 2012. Likewise, the

proportion who believed it was a good time to buy trended downwards between September 2012 and September 2014 as the ABS Residential Property Price Index increased over nine consecutive quarters to December 2014. Despite property prices continuing to increase, the proportion of respondents who believe now is a good time to buy has risen to 52% in March 2015.

Figure 1. Good time to buy a home



The proportion of Homeowners who have experienced mortgage stress trended upwards between 2010 and March 2014, likely as a result of increasing house prices, with the average loan size increasing by 5.6% over this period. Rising unemployment levels are also likely to have impacted on mortgage stress during this period, with the proportion of Homeowners who experienced mortgage stress increasing sharply between September 2012 (18%) and March 2014 (28%) as unemployment rose steadily from 5.0% in April 2012 to 5.9% in April 2014. Across the past five years, cost of living pressures have also impacted on mortgage stress, with the high cost of living the greatest driver of experienced and expected mortgage stress.

The current low interest rate environment appears to have helped ease mortgage stress for Homeowners. Since mid-2014, the proportion of Homeowners who have experienced mortgage stress has fallen from a high of 28% in March 2014, before remaining stable at 16% in March 2015 despite increases in property prices and further increases in the unemployment rate. Likewise, the proportion of Homeowners expecting mortgage stress fell from a high of 30% in March 2014 to 16% in March 2015. This could also be partially due to the proportion of Homeowners making overpayments on their mortgage, increasing to 51% in March 2015 (from 45% in September 2014) and an average of 44% of Homeowners over the past five years.

Looking at drivers of mortgage stress, unemployment has increased as a reason for experienced mortgage stress, while interest rate rises and higher cost of living concerns have fallen. Between May 2010 and March 2015, the proportion of Homeowners who experienced mortgage stress due to unemployment increased from 19% to 31%. Meanwhile, the proportion of Homeowners who experienced mortgage stress as a result of interest rate increases fell from 61% in 2010 to just 6% in March 2015. Over this period the official cash rate fell from 4.50% to 2.25%, with competition in the lending space ensuring that interest rates cuts were generally passed on to borrowers. Those who experienced stress as a result of higher cost of living pressure also decreased, from 61% in May 2010 to 53% in March 2015.

The highest level of comfort for high LVR borrowing (>80%) was recorded in 2010 at 39%. Early 2010 was marked by positive consumer sentiment based on low unemployment, solid economic growth and increasing house prices. Following a rate increase, this figure dropped to 29% in March 2011, stabilising at this level for over three years. In September 2014, as unemployment exceeded 6%, the proportion of those comfortable with high LVR borrowing dropped to its lowest reading at 23% and stayed around this level despite a cash rate cut in February 2015.

Overall index movement

Over the last six months, the Genworth HCI has increased by 1.1% from 98.1 in September 2014 to 99.2 in March 2015 (Figure 2). This was driven primarily by an increase in the proportion of respondents who believe that now is a good time to buy, from 41% to 52%. This increase is likely connected to record low interest rates, in particular the RBA's decision to cut the official cash rate to 2.25% in February 2015 and speculation of a further rate cut in the first half of 2015.

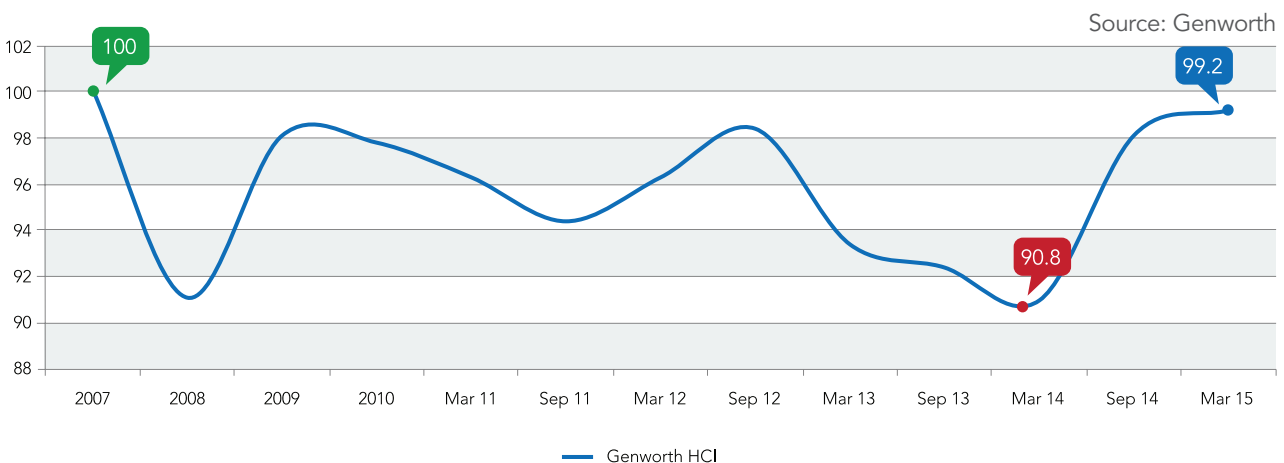
Despite well publicised affordability concerns, FHB confidence increased by 3.8% to 102.1 in March 2015 (from 98.4 in September 2014). This was driven by a significant increase in FHBs who believed that now is a good time to buy, up from 49% in September 2014 to 66% in March 2015. A belief that increasing property prices could drive FHBs out of the market in the future may be contributing to the perception that now is a good time to buy. Another factor driving this increase in FHB confidence was the reduction in the proportion of FHBs who experienced mortgage stress between September 2014

and March 2015 (15% and 9% respectively), and those who anticipate mortgage stress over the next 12 months (from 15% in September 2014 to 8% March 2015). Perhaps as a result of this confidence, the proportion of FHBs who spent over 50% of their income servicing debt has increased to 38% (from 30% in September 2015). An increase in the proportion of FHBs who made overpayments in the last 12 months, from 44% in September 2014 to 49% in March 2015, could be one factor contributing to the increase in FHBs spending more of their income servicing debt.

The other components of the HCI have remained relatively stable over the six months to March 2015:

- The proportion of Homeowners who experienced mortgage stress increased slightly to 16% March 2015 (up from 15% in September 2014)
- The proportion of Homeowners anticipating mortgage stress has remained stable at 16%, in line with September 2014
- The proportion of Homeowners using more than 50% of their income to service debt increased to 29% in March 2015 (from 28% in September 2014)
- The proportion of Homeowners comfortable with high LVR borrowing increased marginally to 24% (from 23% in September 2014).

Figure 2: Genworth HCI

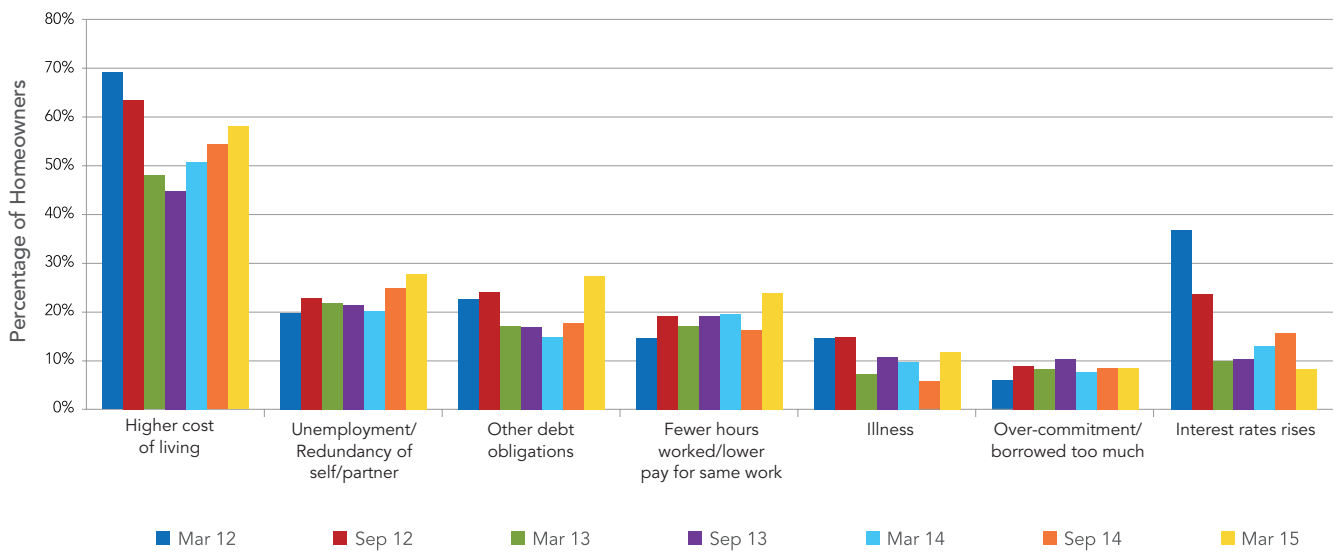


One factor influencing the positive HCI is the continued low level of mortgage stress. Low interest rates are key to falling levels of mortgage stress, with lower rates giving Homeowners the option to reduce their mortgage repayments. The proportion of Homeowners who indicated that interest rates were a factor in having experienced mortgage stress has been steadily declining, falling from 50% in September 2011 to 6% in March 2015.

Of those Homeowners who anticipate mortgage stress in the next 12 months, the driver of other debt obligations has trended upwards over the last 12 months to 27% in March 2015 (Figure 3). Continued uncertainty regarding the effects of the Federal Budget is likely to be contributing to cost of living concerns as well as an increase in the ABS' Consumer Price Index over this period.

Figure 3: Drivers of expected mortgage stress

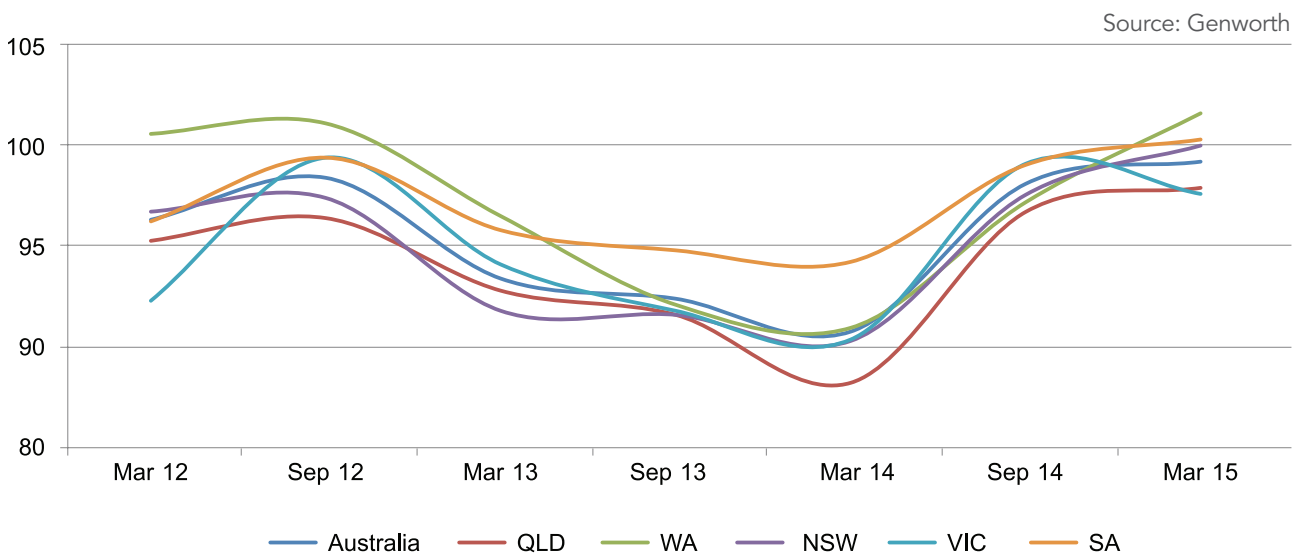
Source: Genworth



State-by-state overview

When viewing confidence by state, Western Australia saw the greatest increase, up 4.5% to 101.6 in March 2015, from 97.2 in September 2014 (Figure 4). This was driven by an increase in the proportion of Western Australian Homeowners who believe now is a good time to buy, up to 52% in March 2015 (from 42% in September 2014). This is further supported by a decrease in experienced and expected mortgage stress. In March 2015, Western Australians were the least likely to have experienced or to be expecting mortgage stress, possibly as a result of a decrease in the unemployment rate in Western Australia from 5.9% in December 2014 to 5.6% in January 2015.³

Figure 4: Genworth HCI by state



Meanwhile, New South Wales saw an increase in confidence of 2.5% to 100 (from 97.6 in September 2014), driven by an increase in those who believe now is a good time to buy a home to 50% in March 2015 (from 34% in September 2014). Expectations of mortgage stress decreased from 17% in September 2014 to 13% in March 2015, despite those who had experienced mortgage stress increasing from 13% in September 2014 to 17% in March 2015.

Confidence also increased slightly in both Queensland and South Australia by 1.2% and 1.3% respectively, driven by an increase in the proportion of Homeowners who believe now is a good time to buy in both states. However, there was an increase in experienced and expected mortgage stress in both states between September 2014 and March 2015. In Queensland the proportion of Homeowners who experienced mortgage stress increased to 23% in March 2015 (from 17% in September 2014), while expectations of future mortgage stress increased to 19% in March 2015 (from 18% in September 2014). Meanwhile in South Australia, the

proportion who experienced mortgage stress increased to 15% in March 2015 (from 13% in September 2014), while Homeowners anticipating mortgage stress increased to 16% in March 2015 (from 13% in September 2014). South Australia had the highest unemployment rate at 7.3% in January 2015.³

Unlike other states, Victoria saw a drop in confidence with the HCI falling by 1.5% to 97.6 in March 2015 (from 99.1 in September 2014), the lowest index score of any of the states. This decrease in confidence was mainly due to the proportion of Homeowners anticipating mortgage stress in the next 12 months increasing to 19% in March 2015 (from 14% in September 2014).

The most common reasons for expected mortgage stress in Victoria were higher cost of living (50%) and unemployment (32%) (Figure 5). The perception of an increase in the cost of living in Victoria is likely linked to general unease in the state. The proportion of Victorian Homeowners expecting mortgage stress (32%) as a result of unemployment was above

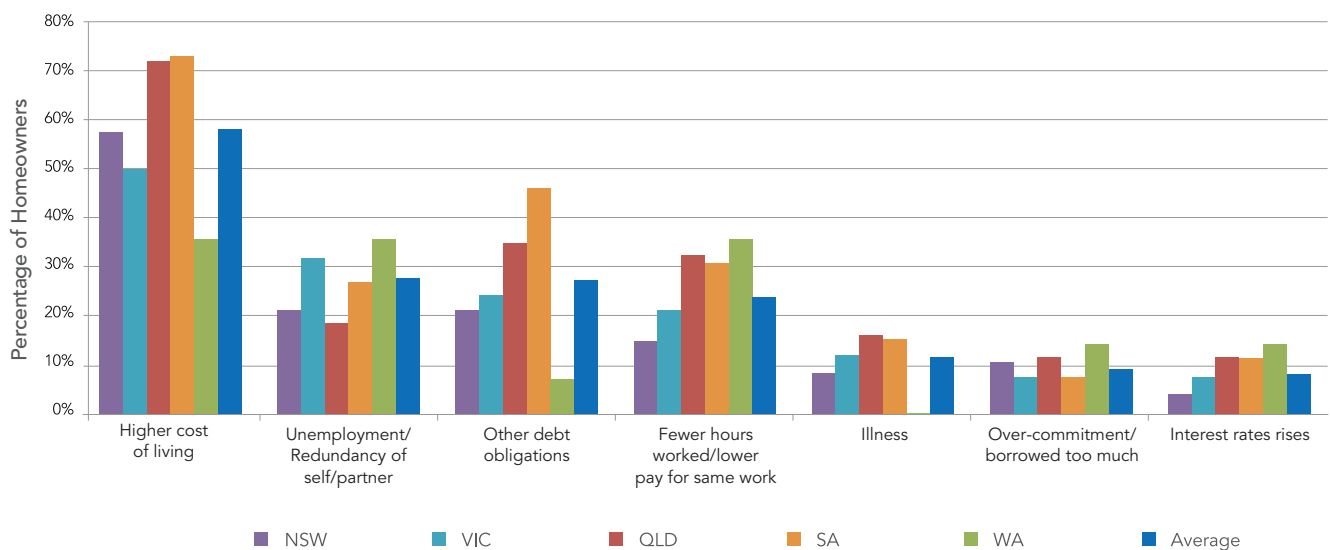
3. The January 2015 figure referred to in this report correlates with information available to respondents at the time of the survey.

the national average of 28% in March 2015. Victorians were also more likely to rate unemployment as the most concerning economic factor at 25%, compared to a national average of 21%. These concerns and the dip in confidence are backed up by ABS unemployment data, which states that Victoria currently has one of the highest unemployment rates in the country at 6.6% in January 2015 compared to a national rate

of 6.4%. Furthermore, the underemployment rate in Victoria was 9.5% as at February 2015, compared to 8.6% nationally. Victoria had the highest underemployment rate of the major states in February 2015, followed by Queensland and New South Wales, with underemployment rates of 8.9% and 8.2%, respectively.

Figure 5: Drivers of expected mortgage stress by state

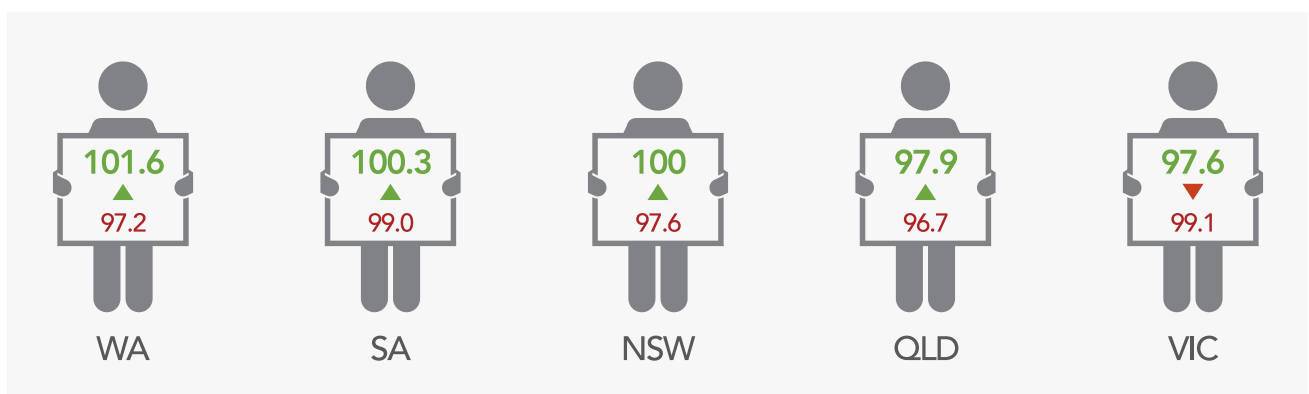
Source: Genworth



Perhaps driven by these concerns, Victorians appear to be more cautious with just 20% comfortable borrowing over 80% LVR, compared to 24% nationally. This has been steadily

declining in Victoria over the past two years, from 31% in September 2012.

Western Australia and South Australia were the most optimistic states with the highest levels of confidence



Affordability vs accessibility

Over the course of the last few years the debate over housing affordability has intensified, with different perspectives on whether FHBs are being driven out of the market. With the current low interest rate environment enabling borrowers to service larger debts, the debate is turning to one of accessibility (ability to enter the property market) rather than affordability (ability to service a mortgage).

Indeed, the low interest rate environment has meant that rising house prices and speculation of a property bubble have had a negligible effect on perceptions of housing affordability. Over the 12 months to February 2015, dwelling values in Sydney and Melbourne have risen by 13.7% and 7.4% respectively, according to CoreLogic RP Data. It is apparent from the results of the survey that even in New South Wales and Victoria around 1 in 2 respondents believe that now is a good time to buy a home or an investment property, despite prices in these capital cities being higher than the capital cities of other states. Interest rates actually appear to be playing a role in fuelling the belief that it is a good time to buy, perhaps combined with a view that future property price increases will make it harder to do so in future. Following the

RBA's February 2015 rate cut to 2.25%, 52% of respondents surveyed in March 2015 stated that they believe now is a good time to buy property, compared to 41% in September 2014, and just 38% in March 2011 when the official cash rate was 4.75%.

The proportion of Homeowners who believe that mortgage repayments are the greatest barrier to home ownership fell to 5% in March 2015 (from 8% in September 2014), an indication that affordability concerns are declining amongst Homeowners.

Concerns surrounding accessibility have grown with 35% of respondents stating that high property prices were the greatest barrier to purchasing a first home (up from 31% in September 2014). Another 20% of respondents indicated that the difficulty of saving for a deposit was the greatest barrier (compared to 24% in September 2014). These figures suggest that increasing property prices are having an impact on the market, with higher house prices requiring a larger deposit (in terms of value) and hindering access to the property market, especially for Prospective FHBs.



35%

of respondents believe that high property prices are the biggest barrier to homeownership

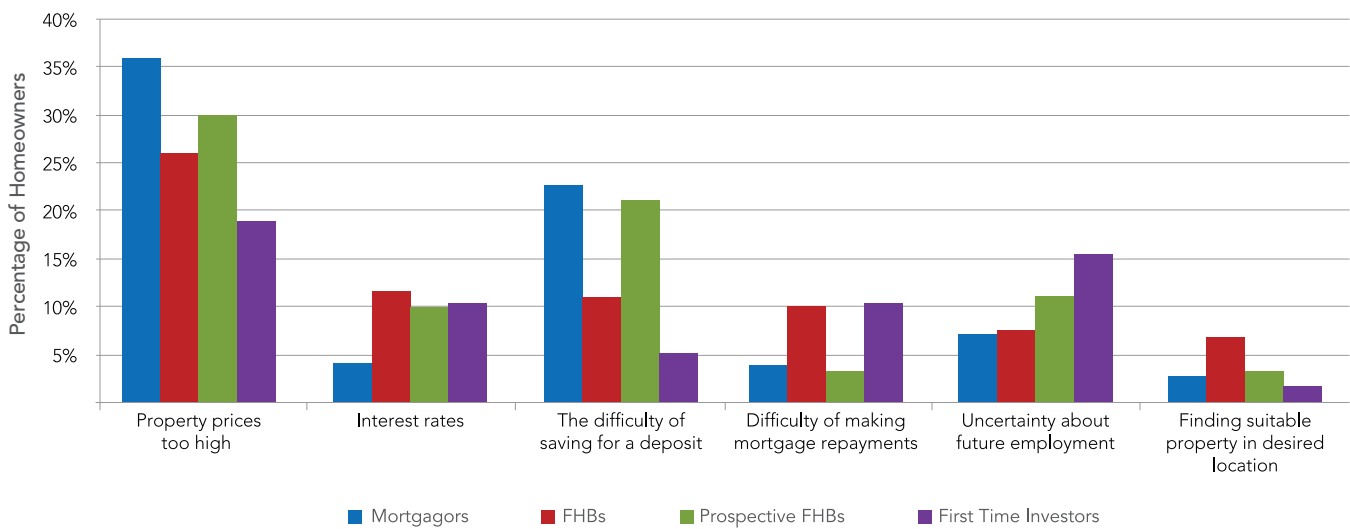
First Homebuyers

The issue of accessibility is heightened among Prospective FHBs, with 51% reporting that saving for a deposit and high property prices are the greatest barriers to property ownership, compared to 37% of FHBs (Figure 6). Meanwhile, just 3% of Prospective FHBs consider mortgage repayments as the greatest barrier to homeownership, compared to 10% of FHBs.

For FHBs, the greatest barrier to homeownership is perceived to be high property prices, with FHBs much less likely than Prospective FHBs to rate the difficulty saving for a deposit as the greatest barrier to homeownership, possibly as this is no longer a pressing concern for them or because saving for a deposit appears less difficult in retrospect.

Figure 6: Biggest barriers to buying a first home

Source: Genworth



It appears that Prospective FHBs overestimate their ability to save a deposit, with 33% expecting to have a deposit of more than 20%, compared to just 25% of FHBs who actually had a deposit greater than 20%. Furthermore, just 20% of Prospective FHBs plan to use anything other than savings for their deposit, compared to 73% of FHBs.

as gifts from family. Overall, the proportion of Homeowners using debt (personal loan, credit card or loan from family) to contribute to their deposit increased from 26% for those who took out their loan in 2009 to 36% for those who took out their loan in 2014.

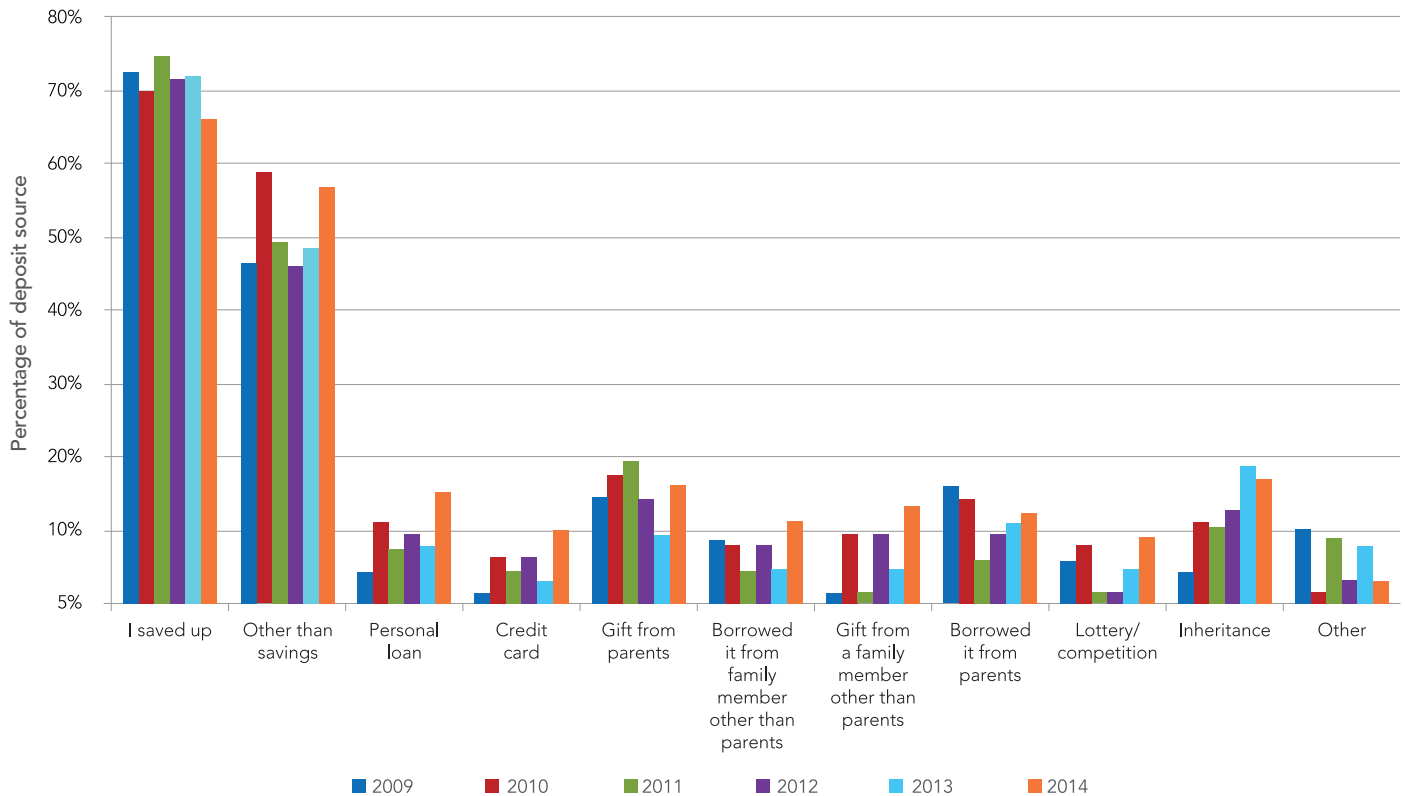
From 2009 to 2014 the proportion of FHBs sourcing a deposit of less than or up to 20% remained relatively stable despite rising house prices. Looking at those who took out their loan in 2009, 76% had a deposit of less than or up to 20%, compared to 75% in 2014. Average deposit sizes (as a proportion of the property value) also remained stable over this period at around 15%, yet the proportion of FHBs who accumulated their deposit over more than three years trended downwards between 2009 and 2014 (from 36% to 27%).

An apparent cause of this reduced deposit accumulation phase is an increasing reliance on non-savings deposit sources. Comparing those who took out their loan in 2009 with those who took out their loan in 2014, the proportion of FHBs who used sources other than savings for their deposit increased from 46% to 57%. For those who bought their first home in 2014, Figure 7 shows a significant increase in the use of personal loans and credit cards as deposit sources (from 4% to 15% and from 1% to 10%, respectively), as well

34% of Prospective FHBs indicated that they have not been able to purchase a property due to deposit sourcing

Figure 7: Homeowner deposit sources for first home

Source: Genworth



This combination of reduced time spent acquiring deposits and an increased proportion of non-savings sources suggests that house price appreciation over the past few years may have driven an increasing number of FHBs to abandon their goal of saving a deposit and look to alternative sources of funding.

FHBs seem unfazed by high LVR borrowing with just 25% of FHBs having a deposit of more than 20%, compared to 33% of Mortgagees when they bought their first home. This is indicative of a trend towards accumulating lower deposit sizes as property prices rise. As such, Lenders Mortgage Insurance (LMI) plays an important role for FHBs struggling to save a 20% deposit. Of respondents surveyed in March 2015, 61% of FHBs used LMI compared to 40% of Mortgagees.

FHBs spent a shorter period of time accumulating their deposit before purchasing property, with 73% saving for less than three years compared to 65% for Mortgagees. This indicates that FHBs are looking to enter the market as soon as they are able to, with the low rates currently on offer potentially further emphasising this trend. The most common non-savings deposit sources used by FHBs were gifts or loans from parents, inheritance and personal loans. FHBs appear to be comfortable using additional debt as a deposit source, 39% of FHBs used a personal loan or borrowed on a credit card towards their deposit, compared to 9% of Mortgagees in March 2015. However this trend of smaller deposit sizes does not necessarily mean that we will see increased mortgage stress, as only 5% of those FHBs that had saved a deposit of

less than 20% experienced mortgage stress over the last 12 months.

Further emphasising this affordability vs accessibility debate, when asked why they do not currently own property, 34% of Prospective FHBs indicated it was because they could not source a deposit, compared to 35% in September 2014. Additionally, 13% of Prospective FHBs indicated that they are unable to afford mortgage repayments, down from 18% in September 2014. A further 5% of Prospective FHBs have not purchased property because they believe the property market is weakening.

Investing in property, rather than purchasing a home, is one way FHBs are dealing with accessibility issues. Almost 3 in 4 (72%) First Time Investors chose to purchase an investment property as they are happy with their current living situation. First Time Investors are more likely than FHBs to believe that finding a suitable property type is the biggest barrier to home ownership, 10% compared to 4% of FHBs, suggesting that the inability to afford their preferred housing type could be pushing FHBs into investment rather than home ownership.

Despite similar levels of debt, First Time Investors contribute a greater proportion of their income towards debt than FHBs, with First Time Investors contributing 49% of their income to debt repayment in comparison to 45% for the average FHB. This could suggest that First Time Investors are choosing not to live in their property as they need rental income to contribute towards their mortgage.

Streets Ahead

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99.2

Homebuyer Confidence Index increased by 1.1% to 99.2, from 98.1 in September 2014

102.1

First homebuyer confidence increased to a record high in March 2015

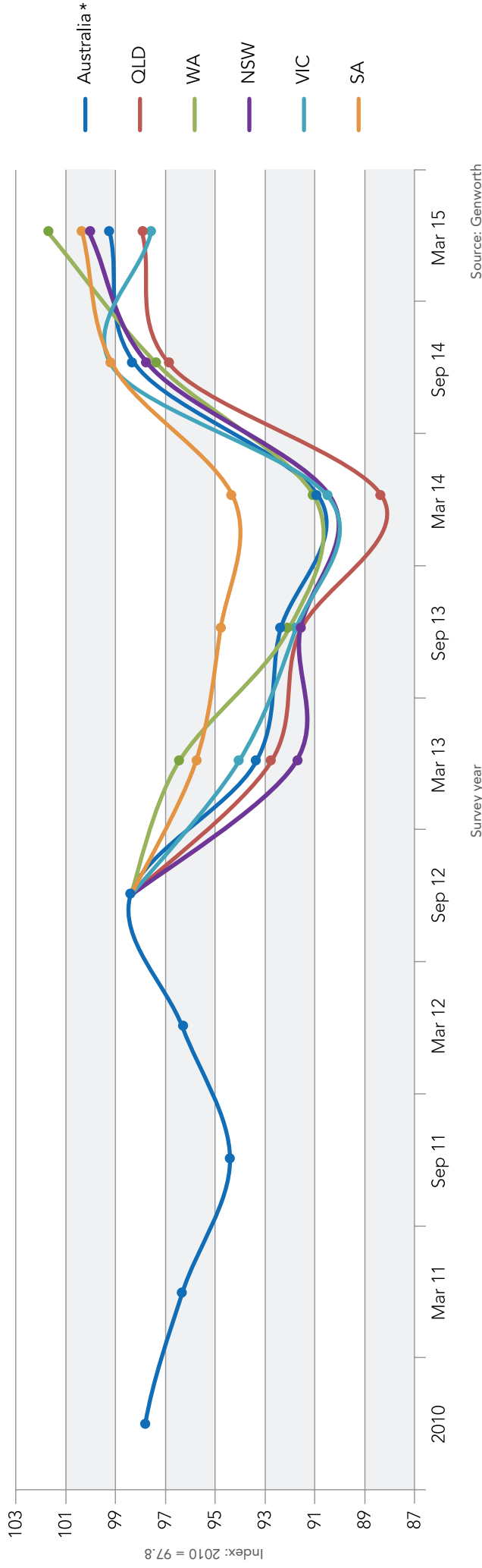
52%

of Homeowners believe that now is a good time to buy

57%

of Homeowners are using non-savings sources for their deposit

Genworth Homebuyer Confidence Index by state



About Streets Ahead: Homebuyer Confidence Index

Genworth's tenth edition of Streets Ahead discusses the results of the Homebuyer Confidence Index.

Released biannually, Streets Ahead measures the sentiment of over 2000 existing Homeowners and Non-Property Homeowners about their mortgage and the overall mortgage market.

To interact with the Streets Ahead infographic and download your own copy of the report visit us at genworth.com.au/streetsahead

*Note: Tasmania, Northern Territory and Australian Capital Territory are included in the analysis of the Australian Homebuyer Confidence Index but have been excluded from individual analysis due to their small sample size.

Genworth Homebuyer Confidence Index: Key indicators

Economic indicators	2010	Mar 11	Sep 11	Mar 12	Sep 12	Mar 13	Sep 13	Mar 14	Sep 14	Mar 15
Official cash rate ¹	4.50%	4.75%	4.75%	4.25%	3.50%	3.00%	2.50%	2.50%	2.50%	2.25%
Inflation ²	3.10%	3.30%	3.40%	1.60%	2.00%	2.50%	2.20%	2.90%	2.30%	1.7%
Unemployment ³	5.10%	4.90%	5.20%	5.20%	5.50%	5.60%	5.70%	5.80%	6.20%	6.40%
Oil prices per barrel US\$ ⁴	\$75.69	\$105.40	\$79.20	\$103.02	\$92.19	\$97.23	\$102.87	\$101.67	\$89.80	\$47.10
HIA Housing Affordability Index ⁵	52.5	55.7	57.2	61.8	65.7	69.7	76.0	77.2	-	-
Average FHBI loan ⁶	\$283k	\$285k	\$285k	\$282k	\$289k	\$291k	\$291k	\$303k	\$310k	\$334k
Genworth HCI⁷	97.8	96.3	94.4	96.3	98.4	93.4	92.4	90.8	98.1	99.2
Change in Genworth HCI ⁷	-0.3%	-1.5%	-2.0%	2.0%	2.2%	-5.1%	-1.1%	-1.7%	8.1%	1.1%

Key drivers in Genworth HCI ⁷	Rate rises, expected stress	Disasters leading to increased stress, less comfort with debt	Rise in cost of living, experience and expectation of stress	Increasing comfort with debt and falling mortgage stress due to interest rate cuts	Increasingly see now as a good time to buy due to rising affordability	Increasingly expect mortgage stress and unwilling to borrow more than 80% LVR due to debt aversion	The confluence of a number of factors shook consumer confidence including unemployment, uncertainty surrounding election, reduction in cash rate, slower economic growth	Homeowners are managing their debt by reducing their mortgage repayments, and consequently have more after-debt disposable income. Sharp increases in house prices make buying a house now slightly less favourable	A long period of rate stability, with rates remaining at their lowest point ever for the last 13 months, has resulted in a reduction in the proportion of mortgage holders that are struggling with their mortgage repayments	The RBA's decision to cut the official cash rate to a record low of 2.25% has resulted in an increase in the proportion who believe it is a good time to buy a home.
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Genworth Homebuyer Confidence Index: Component indices and affordability

	NATIONAL		NEW SOUTH WALES		QUEENSLAND		SOUTH AUSTRALIA		VICTORIA		WESTERN AUSTRALIA		FIRST HOMEBUYERS	
	Sep 14	Mar 15	Sep 14	Mar 15	Sep 14	Mar 15	Sep 14	Mar 15	Sep 14	Mar 15	Sep 14	Mar 15	Sep 14	Mar 15
Confidence	98.1	99.2	97.6	100	96.7	97.9	99.0	100.3	99.1	97.6	97.2	101.6	98.4	102.1
Over 50% of income spent on debt	28%	29%	24%	31%	38%	32%	26%	25%	27%	25%	29%	38%	30%	38%
Comfort with debt (LVR over 80%)	23%	24%	24%	20%	23%	29%	24%	31%	22%	20%	28%	27%	19%	20%
Experienced mortgage stress	15%	16%	12%	14%	17%	23%	13%	15%	17%	16%	20%	13%	15%	9%
Expectation of mortgage stress	16%	16%	17%	13%	18%	19%	13%	16%	14%	19%	16%	13%	15%	8%
Good time to buy a home	41%	52%	34%	50%	48%	53%	39%	60%	44%	51%	42%	52%	49%	66%
Unemployment ⁸	6.2%	6.4%	5.9%	6.3%	6.3%	6.5%	6.7%	7.3%	6.8%	6.6%	5.1%	5.6%	-	-
House Price Index ⁹	118.6	120.9	130.8	135.3	111.6	113.3	107.3	108.3	114.2	116.1	115.7	116.2	-	-
Average house price ¹⁰	\$530k	\$525k	\$655k	\$680k	\$440k	\$452k	\$390k	\$410k	\$535k	\$515k	\$515k	\$510k	-	-

1. Source: RBA, Jun 2010, Mar 2011, Sep 2011, Mar 2012, Sep 2012, Mar 2013, Sep 2013, Mar 2014, Sep 2014 and Mar 2015 represent the latest figure available (Dec 2014). 2. Source: RBA, Jun 2010, Mar 2011, Sep 2011, Mar 2012, Sep 2012, Mar 2013, Sep 2013, Mar 2014, Sep 2014 and Mar 2015 represent the latest figure available (Dec 2014). 3. Source: ABS, Jun 2010, Mar 2011, Sep 2011, Mar 2012, Sep 2012, Mar 2013, Sep 2013, Mar 2014, Sep 2014 and Mar 2015 represent the latest figure available (Dec 2014). 4. Source: Nymex, Aug 2010 (approximations only), Mar 2011, Sep 2011 as at Sep 2011, Mar 2012, Sep 2012, Mar 2013, Sep 2013, Mar 2014, Sep 2014 and Mar 2015 as HIA has since changed its methodology with the intention of reverting to previously used methodology for future releases. 5. Source: HIA-Commonwealth Bank Affordability Report: 2010 as at June 2010 (published in December 2010), Mar 2011, Sep 2011, Mar 2012, Sep 2012, Mar 2013, Sep 2013, Mar 2014, Sep 2014 and Mar 2015 as HIA has since changed its methodology with the intention of reverting to previously used methodology for future releases. 6. Source: ABS, Aug 2010, Mar 2011, Sep 2011, Mar 2012, Sep 2012, Mar 2013, Sep 2013, Mar 2014, Sep 2014 and Mar 2015 represents the latest figure available (Jan 2015). 7. Source: Genworth. Analysis conducted by RFI. 8. Source: ABS, Sep 2014 figures are as at Sep 2014 Mar 2015 figures represent the latest figures available (Feb 2015). 9. Source: ABS, House price index of established homes in capital cities. National Price is the average of all capital cities. Sep 2014 figures are as at Sep 2014, Mar 2015 figures are based on latest release (Dec 2014). 10. Source: RFI data National Media Release Home Value Index, Sep 2014 figures are based on the October release (Index results as at September 30, 2014), Mar 2015 figures are based on the latest release (Mar 2015).

Awareness of major bank sub-brands

Responding to the Financial System Inquiry's recommendation for more transparency surrounding ownership and alignment in the financial sector, data from the March 2015 edition of Streets Ahead was analysed to determine consumer awareness of ownership for Bankwest, St George, Bank of Melbourne, Bank SA, RAMS and UBank.

This revealed that awareness of the major four banks' ownership of subsidiary banking brands is low among respondents, with an average of 25% acknowledging the major banks' ownership of each subsidiary. Respondents were most likely to be aware of the major banks' ownership of St. George (34%) and Bankwest (32%), and least likely to be aware that BankSA and RAMS are owned by one of the major banks (17%).

However, when examining the results of respondents who took out their loan with one of the major banks' subsidiary brands, awareness of major bank ownership increased to an average of 76% across subsidiaries.

These findings suggest that the lack of awareness of major bank ownership of these subsidiary banking brands is due to a general lack of knowledge regarding institutions that consumers do not have a banking relationship with. The results indicate that Homeowners who borrow from these sub-brands are generally well informed as to who they are banking with.

Conclusion

Despite increasing average loan amounts, affordability is not seen as a major barrier for Prospective FHBs entering the property market. Instead, relatively higher property prices and saving for a deposit are the factors they believe are most likely to hinder their future access to the property market (accessibility). Prospective FHBs also appear to overestimate their ability to save a 20% deposit, suggesting that many

among this group will be waiting longer than anticipated to purchase their first home, unless they are able to access funds from other sources. Overall, while there is much debate regarding affordability, it appears that with interest rates at historic lows and property prices rising rapidly, the debate should be focused on accessibility for future FHBs.

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